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SUBJECT: SPANISH NATIONAL ELECTIONS: THE KEY ISSUES

Classified By: Kathleen Fitzpatrick, Political Counselor,
Reasons 1.4(B) and (D).

11. (C) SUMMARY: As Spanish voters focus on the March 14 nationals elections in earnest, three issues will dominate their thinking: the war against ETA terrorism, unease over growing secessionist tendencies in the Basque and Catalan regions, and the economy. On all three issues, Aznar,s Popular Party, now headed by Presidential candidate Mariano Rajoy, is banking on the PP,s strong record to sway voters. Recent polls, though showing a slight narrowing of the gap with the rival socialist party, continue to put the PP ahead by some 6 points. The polls also indicate, however, that some 56 percent of the voters would like a change in government after eight years of government under Aznar,s Popular Party. With some 23 percent of the voters still undecided, the desire for change factor could strengthen the Socialists showing and complicate the PP,s chances to achieve an absolute majority in Parliament. Socialist party candidate Zapatero is attempting to capitalize on the Iraq issue, but thus far has not translated this into a surge of support for his party. END SUMMARY

12. (C) Though unofficially underway for months, the campaign for the March 14 Spanish national elections officially began February 27 at midnight local time (yes, the Spanish electoral campaign officially lasts only two weeks). PP presidential candidate Mariano Rajoy and Spanish Socialist Party (PSOE) candidate Jose Luis Rodriguez Zapatero, have laid out their positions on issues ranging from high foreign policy to ameliorating traffic conditions on Madrid's notoriously chaotic streets. However, three key issues will dominate: the continuing war against ETA terrorism, the growing challenge in the Basque and Catalan regions for greater regional autonomy (and in the case of the Basque region, a separatist plan that fundamentally challenges Spain's delicate federal system), and the economy.

13. (C) In each of these, the Popular Party's strong record has helped put PP candidate Rajoy some 6 points ahead of Zapatero. Another recent poll indicates that Zapatero may be narrowing the gap as voters begin in earnest to focus on the elections, and still another shows the PP might well win the absolute majority. The PP views its record on terrorism, regional issues and the economy as key to voter decisions on March 14. Zapatero recently has played the foreign policy card, seeking to tap into widespread opposition to Aznar,s Iraq policy as a means to motivate Socialist voters, some 23 percent of whom remain undecided.

ETA Terrorism

14. (C) Under the Aznar government, Spain has had significant success against ETA, rounding up key leaders, drying up operational and support networks. The dramatic arrest February 29 of two ETA operatives intent on a major action in Madrid underscored both the danger and the PP's success against ETA.

15. (C) At the same time, the Socialist Party is still reeling from the scandal over Catalan Nationalist Carod-Rovira,s meeting with ETA in January, in which he tried to negotiate an ETA ceasefire in Catalonia (but not in the rest of Spain). The issue brought in Zapatero and the national party because Carod's party had earlier entered into a regional governing coalition with the Catalan socialists. Since the scandal, the PP has tried to cast doubt on the ability of the Socialist party,s national leadership to effectively deal with both the separatist and the terrorist issues. However, the PP strategy may have a downside: many thought that comments made by Interior Minister Acebes following the recent ETA arrests went too far: he indicated that Carod should be pleased that the terrorists - who clearly sought a major explosion in Madrid - were not headed to Barcelona.

16. (C) Still, a recent morning talk show question posed separately to Zapatero and to Rajoy underscores the two main candidates, differing approaches on the terrorism issue. The interviewer asked each candidate what he would do if he ran into a key ETA leader (named Anchon) on the street in Madrid. Zapatero said he "would not look at the man." Rajoy replied, "I would call the police."

Regional Autonomy Issues

17. (C) The Spanish electorate is also deeply concerned about growing separatist trends in the Basque and Catalan regions. Spaniards are worried that a separatist plan for the Basque region promulgated by Basque government leader Ibarretxe in the fall of 2003 could, if played out to its final chapter, lead to a constitutional crisis in Spain. The strong showing of the Carod-Rovira,s Catalan nationalist party in regional elections in December also put the autonomy issue front and center, particularly after the party joined the Catalan socialist coalition. Carod-Rovira,s meeting with ETA further exacerbated these concerns, and linked regional and terrorist issues in a way that could be deeply troubling for the Spanish electorate.

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18. (C) On Basque issues, Aznar has won praise for his firm approach to the Ibarretxe plan, but has also taken criticism for the perception that he is unwilling to offer any kind of conciliatory gesture to demonstrate he is at least willing to hear out Basque separatist concerns. Zapatero and PSOE,s position is perceived to be somewhat weaker and more conciliatory, though in reality, his position is quite similar to that of Rajoy. Zapatero has said he would be willing to talk to Ibarretxe, though it opposes his ultimate separatist goal. Rajoy said he would talk to Ibarretxe, but stood firmly opposed to his separatist plan

19. (C) The key issue which now differentiates the PP and the Socialists on regional/constitutional issues and terrorism is the Carod-ETA meeting scandal. The PP has sought to position itself as the responsible party which will defend the constitution, and to paint the Socialists as a disunited party that cannot stand up for the unity of the Spanish state. While the issue may hurt, Carod has apparently not suffered in Catalonia - his party may increase its seats in the national parliament from 1 to 6 seats.

The Economy

110. (C) With eight years of strong, steady economic growth and record levels of job creation, the PP can claim it is the party of economic stability and success. Rajoy and the PP have made current economic minister Rato number two on the Madrid party list, second only to Rajoy. Rajoy pictures alternate with those of Rato in campaign posters that line the streets of Madrid, clearly demonstrating that both continuity and the economy literally are the PP,s banner issues. (FYI: Pundits here speculate that Rato might become Foreign Minister under Rajoy, if he desired the position, but that even if he did, he would take it only for a limited period of time. We understand he is actively lobbying, or is under consideration for EU/international slots as well.)

111. (C) The main economic issues under debate between the two parties are: how to handle unemployment (now 11.2 percent down from over 20 percent in 1996) and which party's policy will generate the most new (and permanent rather than temporary) jobs; taxes -- the Socialists want a flat tax with more exemptions for the poorest and pensioners versus the third round of income tax cuts proposed by PP; and rapidly spiraling housing costs. Most observers believe, however, that the generally favorable state of the Spanish economy will dominate Spanish voter decisions, and that the PP's strong record in this area will carry the day.

Foreign policy

112. (C) In recent weeks, Socialist leader Zapatero has focused on foreign policy, as a means to tap popular discontent with Aznar,s support for the Iraq coalition that brought millions into the streets in Spain in February and March of 2003. Yet, in two regional elections since then, PSOE has been unable to turn the Iraq issue into an election winner for the Socialist party. Also, Rajoy has pledged to continue Aznar's policies, but he has thus far avoided being "tarred" with responsibility for the Iraq policy. Though foreign policy will not be the deciding factor in the elections, Zapatero is nonetheless aiming to remind voters of their unease with the PP,s Iraq policy and close ties to the US in order to motivate undecided PSOE voters.

Desire for Change: How Great a Factor?

113. (C) While the key issues dominate, a final trend may shape whether the PP receives an absolute majority: polls indicate that at least 56 percent of Spaniards would like to see a change in government after eight years of Popular Party rule and the firm style of President Jose Maria Aznar.

114. (C) Two factors may mitigate this desire. Rajoy may benefit from a popular perception even among the opposition that his more conciliatory personal style is far different

from the strong hand of Aznar; and even PSOE insiders are not optimistic that the desire for change will translate into an unexpected victory for their party. They acknowledge without prodding that the Socialists have not offered a credible alternative to the PP.

15. (C) Nonetheless, this amorphous desire for change, combined with continued uneasiness over Iraq, could combine to reduce the PP's margin of victory and strengthen PSOE's electoral showing. A few PP insiders are beginning to worry about this prospect after months of steady showing in the polls, as voters start to focus on their electoral choices in earnest with barely a week to go before the elections.

The Absolute Majority Question

16. (C) The PP strongly desires an absolute majority, and it will need to win 176 seats in parliament to claim it. PP could also govern without problem if it wins 172 or 173
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seats, as it has an ironclad agreement that the 3-4 Canary Islands seats will join with PP on any issue. An outcome of fewer than these needed seats, however, would create a difficult government formation process for the PP. PP almost certainly would have to negotiate with the Catalan Convergencia and Union party, which will retain an estimated dozen parliamentary seats (down from 15 in 2000). The PP drew on CiU votes in the first Aznar administration, but CiU's terms would be very difficult this time around. Moreover, CiU does not agree with PP on all issues, including on some domestic issues and on Iraq. A CiU leader has said that any CiU support for the PP in Parliament would be issues-oriented, not across the board. Thus, the PP will need to win at least 172 seats in Parliament to maintain its current tight hold over the Spanish government. Whether the PP will win this number of seats has become the key drama in this electoral campaign.
ARGYROS